## LEGISLATIVE SERVICES AGENCY OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301 Indianapolis, IN 46204 (317) 233-0696 http://www.in.gov/legislative

## FISCAL IMPACT STATEMENT

**LS 6514 NOTE PREPARED:** Jan 9, 2011

BILL NUMBER: HB 1240 BILL AMENDED:

**SUBJECT:** Homesteads.

FIRST AUTHOR: Rep. Cheatham BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: GENERAL IMPACT: Local

DEDICATED FEDERAL

<u>Summary of Legislation:</u> This bill expands the definition of "homestead" to include up to three acres of land surrounding a dwelling. (Current law limits a homestead to one acre of land surrounding a dwelling.)

Effective Date: January 1, 2012.

**Explanation of State Expenditures:** 

**Explanation of State Revenues:** 

## **Explanation of Local Expenditures:**

Explanation of Local Revenues: Under current law, a homestead is defined as an owner-occupied dwelling and up to one acre of land immediately surrounding the dwelling. Homesteads receive a standard deduction worth 60% of AV up to \$45,000 and the supplemental standard deduction worth 35% on the first \$600,000 of net AV after the standard deduction plus 25% of the net AV that exceeds \$600,000. In addition, homestead property is subject to a 1% circuit breaker cap. The portion of a homestead parcel that does not qualify for as homestead property does not qualify for these deductions and is subject to the 3% circuit breaker cap.

Beginning with taxes payable in CY 2013, this bill would increase the amount of eligible homestead land from 1 acre to 3 acres. Up to 2 additional acres per homestead would qualify for the deductions and the 1% cap.

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The additional standard and supplemental standard deductions are estimated at \$835 M. The total reduction in net taxes for homeowners, including tax shifts and circuit breakers, is estimated at \$9.9 M. The reduction in net AV would result in a higher tax rate and a net tax shift (after circuit breakers) of about \$6.0 M from homeowners to other taxpayers. The cost of the circuit breaker cap to local taxing units and school corporations would rise by an estimated \$4.1 M. The higher tax rates would also cause TIF proceeds to increase by about \$0.5 M.

## **State Agencies Affected:**

<u>Local Agencies Affected:</u> County and township assessors; County auditors; Civil taxing units and school corporations.

**Information Sources:** OFMA property tax database.

Fiscal Analyst: Bob Sigalow, 317-232-9859.

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